



An Audit Report on

# **Financial Reporting and Contracting at the Department of Agriculture**

March 2016  
Report No. 16-019



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## Overall Conclusion

The Department of Agriculture's (Department) financial reporting and accounting processes ensured that the financial statements in its fiscal year 2014 *Annual Financial Report* were accurate and complete. In addition, the Department had processes to ensure that its expenditures were accurately recorded and classified for fiscal year 2014. However, the Department did not consistently maintain documentation to show that it accurately recorded fiscal year 2014 revenue transactions.

In addition, the Department should improve its processes to ensure that it compiles financial data accurately and completely for the *Report of Non-Financial Data*. That report (which is an annual report that includes information on certain purchases, payments, and budget transfers) was inaccurate and incomplete for fiscal year 2014. The *Report of Non-Financial Data* is submitted to the Office of the Governor, the Legislative Budget Board, the State Auditor's Office, and the Legislative Reference Library.

The Department should also improve certain key aspects of contract management and controls over information technology. Specifically:

- **Contract Management.** The Department should improve certain contract management processes. Auditors reviewed the Department's (1) contract for the development of a grant management, procurement, and contracting system and (2) use of the state contract for fuel card services and identified significant weaknesses in the Department's management of those contracts:
  - Contract for the development of a grant management, procurement, and contracting system. The Department did not ensure that Periscope Holdings, Inc., to which it awarded a deliverables-based information technology services (DBITS) contract, developed a system that met the

### Request for This Audit

On March 3, 2015, the Department of Agriculture (Department) requested this audit to assess its financial and operational condition. Following that request, auditors performed a risk assessment of the Department's financial operations to determine the objectives for and scope of this audit. See page iii for more information on the audit objectives and scope.

### Background Information

The Legislature appropriated approximately \$1.1 billion to the Department for the 2014-2015 biennium. The methods of finance for that funding included General Revenue, dedicated General Revenue, federal funds, interagency contracts, appropriated receipts, and other funds. According to the Department's strategic plan for 2015-2019, the General Appropriations Act supports 704.3 full-time equivalent employees, and 48 percent of those employees work in field offices and laboratories throughout the state. The Department is responsible for managing programs in the areas of consumer protection, agriculture, economic development, and healthy nutrition.

Sources: General Appropriations Act (83rd Legislature) and the Department's strategic plan for 2015-2019.

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

For more information regarding this report, please contact Audrey O'Neill, Audit Manager, or Lisa Collier, First Assistant State Auditor, at (512) 936-9500.

Department's specifications. Instead of developing a grant management, procurement, and contracting system as originally planned, Periscope Holdings, Inc. developed only a procurement system (the Contract Award Management and Procurement System, or CAMPS). The Department did not manage each phase of the contract management process (planning, procurement, contract formation, and oversight) in accordance with state procurement requirements and the Department's requirements, which resulted in the Department not receiving the information system that it solicited. Payments to Periscope Holdings, Inc. totaled \$450,441 from January 2013 to March 2015.

- **State contract for fuel card services.** The Department did not consistently ensure that its payments to U.S. Bank, the fuel card services vendor, were accurate and that it made those payments in a timely manner. The Department did not have a standardized process to review invoices for billing errors, report billing errors to U.S. Bank, and apply rebates to payments in a timely manner. The Department paid \$2,055,247 for fuel card expenses from September 2012 to December 2014.
- **Controls Over Information Technology.** Auditors also performed a limited review of general and application controls for three automated systems that supported the financial reporting and accounting processes audited and determined the following:
  - CAMPS did not contain adequately designed controls to ensure the reliability of procurement data. In addition, auditors identified certain access control and security weaknesses related to that system.
  - The Department's licensing and enforcement system (the Bringing Resources, Integration, and Data Together for Greater Efficiency system, or BRIDGE) contained adequately designed controls to ensure the reliability of licensing revenue transactions entered and processed. However, auditors identified certain access control and security weaknesses related to that system.
  - The Department should strengthen user access controls over the Uniform Statewide Accounting System (USAS) to minimize the risk of alteration or deletion of data.

To minimize security risks, auditors communicated details about the user access and security control weaknesses directly to the Department's management.

Auditors communicated other, less significant issues related to accounting processes, contract planning, vendor payments, password settings for selected information systems, and policies and procedures separately in writing to Department management.

## ***Summary of Management's Response***

At the end of each chapter in this report, auditors made recommendations to address the issues identified during this audit. The Department agreed with the recommendations in this report. The Department provided a summary of its management's response, which is presented in Appendix 2.

## ***Audit Objectives and Scope***

The objectives of this audit were to determine whether the Department has:

- Processes and controls that help ensure the accuracy and completeness of financial reporting.
- Administered selected contract management functions in accordance with applicable requirements.
- Processes and controls that help ensure that information systems supporting financial reporting and contracting are secure and contain accurate and complete data.

The scope of this audit covered selected Department financial activities related to revenue and expenditure processes during fiscal year 2014, including the information systems that support the functions audited. Specifically, the scope included:

- Selected financial reporting and accounting processes for certain account balances that the Department reported for fiscal year 2014.
- Contract management activities (including planning, procurement, contract formation, and contract oversight) related to the following two contracts from their inception through July 2015:
  - The information technology contract effective December 2012 between the Department and Periscope Holdings, Inc. for CAMPS.
  - The state contract with U.S. Bank for fuel card services, which the Department began using in September 2013.

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# Detailed Results

## Chapter 1

### ***The Financial Statements in the Department's Annual Financial Report for Fiscal Year 2014 Were Accurate; However, the Department Should Strengthen Controls Over Certain Reporting and Accounting Processes***

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The Department of Agriculture's (Department) financial reporting and accounting processes ensured that the financial statements in its fiscal year 2014 *Annual Financial Report* were accurate and complete. The Department also had processes to ensure that it recorded and classified expenditures accurately for fiscal year 2014. However, the Department did not consistently maintain documentation to show that it accurately recorded fiscal year 2014 revenue transactions.

In addition, the Department should improve its processes to ensure that the *Report of Non-Financial Data*—which is an annual report that state entities submit to the Office of the Governor, the Legislative Budget Board, the State Auditor's Office, and the Legislative Reference Library and includes information on certain purchases, payments, and budget transfers—includes accurate and complete financial information. The Department reported inaccurate and incomplete financial information in that report for fiscal year 2014.

#### Chapter 1-A

### **The Department Presented Accurate Financial Statements in Its Fiscal Year 2014 *Annual Financial Report*; However, It Should Strengthen Certain Reporting and Accounting Processes**

The Department's process for preparing its fiscal year 2014 *Annual Financial Report* ensured that the financial statements that auditors tested were accurate and complete. The financial amounts the Department reported reconciled to financial data in the Uniform Statewide Accounting System (USAS). In addition, each of the 16 fiscal-year-end adjusting journal entries that auditors tested was accurate, supported, and authorized.

**The Department established processes that helped to ensure that it recorded and classified expenditures and revenue accurately and completely; however, it should improve processes for recording revenue.**

The Department properly recorded, classified, and authorized 29 (97 percent) of 30 expenditures tested that totaled \$209,108. For the remaining expenditure, the Department did not have documentation to support that the amount and classification were accurate.

In addition, the Department did not consistently maintain documentation to show that it accurately recorded revenue transactions. Specifically, the Department did not have documentation to support 16 (46 percent) of 35 revenue transactions tested that it received through the Office of the Comptroller of Public Accounts and entered into its licensing and enforcement system (the Bringing Resources, Integration, and Data Together for Greater Efficiency system, or BRIDGE). Those 16 transactions totaled \$157,899. The Department asserted that it did not maintain that documentation because it considered that documentation to be electronic processing records, which have a retention period of 90 days, instead of fiscal records, which have a retention period of 3 fiscal years.

**The Department should ensure that it accurately and completely processes all licensing-related revenue from its suspense fund.**

The Department did not have a monitoring process to ensure that it accurately and completely processed licensing-related revenue that was deposited into its suspense fund (see text box for more information on the suspense fund). As a result, the Department did not fully clear its suspense fund for fiscal year 2014 or ensure that it updated the related licensing records with current revenue information. In fiscal year 2014, the Office of the Comptroller of Public Accounts deposited \$14,507,296 in revenue into the Department's suspense fund. As of July 2015, the Department had not fully processed \$79,125 in licensing revenue from the fiscal year 2014 balance in its suspense fund.

#### Suspense Fund

A suspense fund is a fund that is established to separately account for certain receipts pending their distribution or disposal.

Source: Office of the Comptroller of Public Accounts.

**The Department should ensure the licensing program staff process all licensing fee refunds.**

The Department allowed information technology staff, instead of the licensing program staff responsible for managing licensee account records, to process \$2,550 in licensing fee refunds in BRIDGE. However, allowing information technology staff, rather than licensing program staff, to process licensing fee refunds represented an improper segregation of duties and increased the risk that the Department could process licensing fee refunds improperly or incorrectly.

### Recommendations

The Department should:

- Retain all documentation that it uses to create expenditure and revenue transactions in BRIDGE in accordance with its retention policy for fiscal records.

- Develop, document, and implement monitoring processes to clear its suspense fund completely and in a timely manner.
- Ensure that only licensing program staff process licensing fee refunds in BRIDGE.

### **Management's Response**

*This administration agrees that the Licensing program previously lacked the level of financial focus needed in an area that collects most of the agency's fee-based revenue. Upper level Licensing staff that accounted for BRIDGE revenue had strong expertise in licensing operations, but did not have equivalent accounting background. This has been addressed by adding staff with accounting and internal controls expertise to the Licensing area.*

*This administration has also reconciled the FY14 suspense fund from the amount noted in the audit to approximately \$1,100.00, and developed a schedule for regular reconciliation. The separation of duties and document retention concerns also have been addressed.*

**Responsible management:** Administrator for Compliance, Manager for Agency Administration, Administrator for Budget and Accounting

**Due:** Completed

## The Department Should Ensure That Information on Appropriation Item Transfers, Fees, and Proprietary Purchases on Its Annual Report of Non-Financial Data Is Accurate and Complete

Auditors reviewed three required schedules in the Department's *Report of Non-Financial Data* for fiscal year 2014 (see text box for additional details) and identified the following discrepancies:

- **Appropriation Item Transfer Schedule.** The Department did not include the required schedule of appropriation item transfers in its *Report of Non-Financial Data* for fiscal year 2014. Instead, the Department included a brief explanation stating that it was exempt from transfer limitations in Article IX of the General Appropriations Act; as a result, the Department did not include a schedule of appropriation item transfers. Although the Department was exempt from the transfer limitation, it was not exempt from the requirement to report on its appropriation transfers. It should have reported its appropriation item transfers, as required. The Department's appropriation item transfers in fiscal year 2014 totaled \$64,512,436.
- **Schedule of Professional/Consulting Fees and Legal Service Fees.** The Department did not include on the Schedule of Professional/Consulting Fees and Legal Service Fees all of the fees that it paid for fiscal year 2014. The \$559,765 in professional, consulting, and legal fees that the Department reported did not include \$925,545 in fees related to survey services, equipment calibration, marketing services, information technology-related services, and training-related services.
- **Schedule of Itemized Purchases.** The Department did not include on the Schedule of Itemized Purchases all of the proprietary<sup>1</sup> purchases for fiscal year 2014. The \$1,547,082 in proprietary purchases that the Department

### Reporting Requirements for the Report of Non-Financial Data

Texas Government Code, Section 2101.0115, requires state agencies to submit an annual report to the Office of the Governor, Legislative Budget Board, State Auditor's Office, and Legislative Reference Library. That report includes schedules that each state agency is required to report (as applicable). Specifically, the following schedules are included in the report, if applicable:

- Schedule of Bonded Employees.
- Schedule of Space Occupied.
- Schedule of Professional/Consulting Fees and Legal Service Fees.
- Schedule of Aircraft Operation.
- Schedule of Itemized Purchases.
- Historically Underutilized Business Strategic Plan Progress Form.
- Appropriation Item Transfer Schedule.
- Schedule of Vehicles Purchased.
- Indirect Cost Schedule.
- Schedule of Lump-Sum Vacation and Compensatory Leave.
- Schedule of State-Owned or Leased Vehicles Used by State Employees.
- Schedule of Recycled, Remanufactured, and Environmentally Sensitive Purchases.

Sources: Texas Government Code and the Office of the Governor.

<sup>1</sup> The *State of Texas Procurement Manual*, 2012, defines proprietary as products or services manufactured or offered under exclusive rights of ownership, including rights under patent, copyright, or trade secret law. A product or service is proprietary if it has a distinctive feature or characteristic that is not shared or provided by competing or similar products or services.

reported did not include four purchase orders that totaled \$17,549. Those purchase orders were for legal notice services, lab calibration services, license and source code services, and advertising services.

The *Report of Non-Financial Data* for fiscal year 2014 was developed by purchasing staff who relied on the manner in which prior-year information was collected and reported. In addition, the Department's policies and procedures for developing that report did not include specific procedures describing how to obtain and prepare information for reporting purposes. As a result, the *Report of Non-Financial Data* for fiscal year 2014 would provide decision makers with inaccurate information regarding its appropriation transfers and expenditures.

### **Recommendation**

The Department should develop, document, and implement a process to accurately compile and report required information on appropriation item transfers, professional fees, consulting fees, legal fees, and proprietary purchases on its *Report of Non-Financial Data*.

### **Management's Response**

*When this administration transitioned in January 2015, the preparation of the Annual Non-Financial Data Report was reassigned from Purchasing to the Accounting program to ensure appropriation and fee information in the report would receive additional financial attention. In the recent FY 2015 Report of Non-Financial Data, TDA verified and reported all appropriation item transfers and ensured all consulting fees, legal fees, and proprietary purchases met the definition provided in TX Government Code. TDA follows the CPA instructions for the report.*

**Responsible management:** Administrator for Budget and Accounting

**Due:** Completed

## ***The Department Should Improve Its Contract Management Processes***

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The Department has opportunities to strengthen certain contract management processes. Auditors reviewed the Department's (1) contract with Periscope Holdings, Inc. for the development of a grants management, procurement, and contracting system and (2) use of the state contract with U.S. Bank for fuel card services and identified significant weaknesses in the Department's management of those contracts. Those weaknesses were in the areas of contract monitoring, contract planning, contract procurement, contract formation, and contract management training and certifications.

### Chapter 2-A

## **The Department Should Strengthen Its Payments to Vendors and Oversight of Contracts**

The Department could not provide documentation to show that it consistently ensured vendors' performance and contract compliance and that it monitored vendor payments. The Department also did not maintain a complete copy of its executed contract with Periscope Holdings, Inc.

**The Department should consistently ensure that payment information is accurate and complete.**

The Department could not provide complete documentation to show that it ensured that all of its payments for the two contracts audited were based on accurate and complete information. Specifically:

- For the contract with Periscope Holdings, Inc. for the development of a grant management, procurement, and contracting system (the Contract Award Management and Procurement system, or CAMPS), the Department could not provide complete documentation for all 14 payments tested to show that it had received, reviewed, and approved required deliverables from Periscope Holdings, Inc. prior to authorizing payment. The Department also made 2 of those 14 payments (those 2 payments totaling \$26,892) in August 2013, which was prior to its receipt of the associated services (it received the services associated with those 2 payments starting in September 2013). Between January 2013 and March 2015, payments on the contract for project development, implementation, and maintenance of CAMPS totaled \$450,441.
- For the state contract with U.S. Bank for fuel card services, the Department did not consistently ensure that it processed invoices from U.S. Bank in accordance with applicable statutory requirements in the Texas Government Code and the Office of the Comptroller of Public Accounts' administrative rules. Auditors identified weaknesses in

management approval of invoices, payment accuracy, payment timeliness, vendor rebates, and supporting documentation. Specifically, for the 30 payments tested for the period from September 2012 through December 2014 (totaling \$2,055,247), auditors identified the following:

- For 27 (90 percent) payments, the Department ensured that the appropriate individuals approved those payments; however, for the remaining 3 payments (which totaled \$234,619), the Department could not provide evidence that management approved payment of those invoices.
- For 17 (57 percent) payments, the Department accurately paid the balance for new purchases for the billing period. Ten payments were inaccurate because the amounts the Department paid did not match the new purchases reported by U.S. Bank; as a result, for those 10 payments the Department underpaid U.S. Bank by a net \$1,249. Auditors were unable to determine whether one additional payment for \$78,141 was accurate because the Department did not maintain a copy of the invoice. One other payment tested was a reissuance of a prior payment that was canceled, and another payment tested was for an outstanding balance on a partial payment.
- For 17 payments (57 percent) that totaled \$1,107,609, the Department could not provide evidence that it made the payments in a timely manner. It made those payments between 1 and 36 days late.

In addition, the Department did not initially account for the quarterly rebates that U.S. Bank had applied to its monthly invoices. That occurred because the Department based the amount that it paid U.S. Bank on a review of the monthly purchases the Department made. As a result, the Department paid more than the amount it owed for certain months between 2012 and 2014. The Department subsequently applied all prior rebates (totaling \$34,953) to its February 2015 payment to U.S. Bank.

After the Department made payments to U.S. Bank, it reclassified accounting information related to some of those payments totaling \$342,753. According to Department records, it made those changes to correct errors related to its coding of those payments. However, the Department did not have documentation that described (1) how it had identified those payment processing errors and corrections, (2) the specific programs to which the Department should apply the corrections, and (3) how the Department determined the adjusted amounts. Maintaining that documentation is necessary to support the accuracy and completeness of corrections the Department processes.

**The Department should monitor its contracts in compliance with applicable State and Department requirements.**

The Department did not monitor vendor performance in accordance with the *State of Texas Contract Management Guide* and Department requirements. Specifically:

- The Department did not ensure that Periscope Holdings, Inc. developed a system that met the requirements of the contract. Instead of developing a grant management, procurement, and contracting system, Periscope Holdings, Inc. developed CAMPS as only a procurement system. Therefore, the Department did not fully comply with its project plan to ensure the successful and complete development and implementation of grant management and contracting applications in CAMPS. The Department could not provide complete documentation to show that it:
  - Fully developed, performed, and completed information system design and testing plans, and that those plans included proper testing scenarios to evaluate information system applications.
  - Closed out the project after CAMPS was implemented to verify that the project goals were met in accordance with the requirements of the project plan.
- The Department did not establish a standardized process for monitoring the performance of U.S. Bank, the fuel card services vendor. The Department had informal, internal processes for its regional staff to review invoices for errors and identify potential fuel card misuse and abuse. However, the Department did not have a standardized, written policy outlining those processes to ensure that staff in each of its regions performed monitoring activities consistently.

**The Department should maintain a complete copy of its executed contracts.**

The Department did not maintain a complete copy of its executed contract with Periscope Holdings, Inc., including all attachments that formed the complete contract. Although the Department had copies of the notice of award and statements of work (which were parts of the contract), it did not maintain other key components of the contract related to the services purchased through the contract and related to the Department of Information Resources' information technology contracts with Periscope Holdings, Inc.

Without a complete contract, the Department may not be aware of all contract requirements, which could impair its ability to effectively monitor vendor performance and compliance.

## Recommendations

The Department should:

- Pay for vendor services only after it has received, verified, and determined that the services met the specifications in its contracts.
- Develop, document, and implement processes to ensure:
  - ♦ The accuracy, timeliness, verification of vendor services provided, and approval of payment amounts and accounting information, including the retention of applicable supporting documentation.
  - ♦ That it develops and implements monitoring activities for vendors that provide services.
- Maintain executed contracts, including the attachments that form the complete contracts, for all contracts that it awards.

## Management's Response

*In 2015 the Legislature passed Senate Bill (SB) 20, which heightened the planning, reporting, and management requirements for state contracting. TDA has been developing a wide range of procurement and contract management processes pursuant to the directives under SB 20. This administration agrees that payment processes should be tied closely to receipt and invoice verification by the contract manager, and has changed procedures established by previous administrations for reviewing and processing vendor invoices to include attachment of contract requirements to the invoice for prepayment review.*

*While transitioning, this administration learned CAMPS was originally intended to maintain an electronic original of an executed contract. As a result, a review of the ease and efficiency of using CAMPS as the official "filing cabinet" for contract documents was undertaken. Procedures were developed to ensure all documents that make up a contract are captured in a single location that will be easily accessible to agency employees.*

**Responsible staff:** Administrator for Compliance, Manager for Agency Administration, Administrator for Budget and Accounting, Program Area Management

**Due:** Completed

## **The Department Should Fully Comply with State Requirements When Planning Information Technology Purchases and Maintain Complete Documentation of That Planning**

The Department performed a needs assessment and risk assessment, developed a communication plan, had documentation to show that it submitted required documents to the Office of the Comptroller of Public Accounts, and performed other significant activities in planning for the contract for CAMPS. However, it (1) did not perform certain planning activities in compliance with Texas Government Code, the *State of Texas Contract Management Guide*, Department of Information Resources guidelines, or Department policies or (2) did not have documentation to show that it complied with those requirements.

**The Department should ensure that it performs certain planning activities properly and completely.**

The Department performed certain activities that it should have performed during planning after it awarded the contract to Periscope Holdings, Inc. It also provided the Office of the Comptroller of Public Accounts with incomplete information on the procurement for CAMPS. Specifically:

- The Department developed most of its planning documents for assessing contracting risks, assumptions, constraints, and defining contract objectives as part of its project plan in January 2013, which was after it had awarded the contract on December 27, 2012.
- The Department received delegated authority from the Office of the Comptroller of Public Accounts to procure a contract for a grants management system. However, in requesting that delegated authority, the Department did not specify that its intent was to include procurement and contracting as part of its solicitation. In addition, the Department could not provide documentation to show that it notified the Office of the Comptroller of Public Accounts when it awarded the final contract, as the Office of the Comptroller of Public Accounts had requested.

**The Department should ensure that it fully complies with all requirements, including its internal purchasing requirements, for soliciting bids for goods and services.**

The Department did not solicit bids from vendors for CAMPS in accordance with certain state procurement requirements. Specifically:

- The Department did not include a schedule of deliverables in its initial purchase request, as required by its policy. While the Department prepared the purchase request to begin its procurement for CAMPS, the Department did not list the deliverables that it would require from the vendor to which it would award the contract. Instead, the Department described only its justification for the procurement.
- The Department did not publish its request for proposals (RFP) in the *Electronic State Business Daily*. Instead, the Department sent its RFP to five selected vendors that had information technology contracts with the Department of Information Resources.
- The Department's solicitation was for deliverables-based information technology services (DBITS). However, two of the five vendors to which the Department sent its RFP did not have a DBITS contract with the Department of Information Resources. Periscope Holdings, Inc., the vendor to which it awarded the contract, was one of the two vendors that did not have a DBITS contract (see Chapter 2-C for additional information).

The Department should ensure that each statement of work for procuring a DBITS contract clearly describes best value and vendor expectations, as required.

The statement of work in the Department's RFP for CAMPS included and clearly defined 8 (73 percent) of the 11 provisions required by the *State of Texas Contract Management Guide*, as well as 13 (87 percent) of the 15 provisions recommended by the Department of Information Resources (see text box for more information on those requirements). The statement of work did not include the following three provisions required by the *State of Texas Contract Management Guide*:

- **Best value considerations.** The statement of work did not define the factors the Department would use to determine which vendor proposal would provide best value.
- **Established standards.** The statement of work did not establish and describe industry standards that the Department would use to assess vendor performance. The requirement for established standards is also related to the Department of Information Resources' recommended provision for defining service level agreements, which the Department also did not include.
- **Final acceptance.** The statement of work did not establish a methodology that the Department would follow to determine acceptance of deliverables or its process to receive or reject deliverables. The requirement for final acceptance is also related to the Department of Information Resources' recommended provision for defining a contract's scope of work, which the Department also did not include.

#### Provisions Required in the Statement of Work

The *State of Texas Contract Management Guide* requires the following provisions in a statement of work:

- Quantity.
- Quality.
- Established standards.
- Contractor qualifications.
- Evaluation criteria.
- Best value considerations.
- Proposal submission requirements.
- Monitoring.
- Reporting.
- Inspection and testing.
- Final acceptance.

In addition, the Department of Information Resources provides a template to state entities for developing a statement of work. That template recommended including information on the following:

- Introduction.
- Background.
- Scope (project-based services).
- Scope (outsourced services).
- List of deliverables.
- Deliverable schedule.
- Reports and meetings.
- Service level agreements.
- Period of performance.
- Invoices.
- Customer/vendor equipment and work space.
- Other customer requirements.
- Vendor responses.
- Pricing.
- Response submission requirements.

Sources: *State of Texas Contract Management Guide* and the Department of Information Resources.

The provisions the Department did not include in the statement of work could have established performance criteria that may have allowed the Department to develop more effective monitoring processes over the contract for CAMPS and, therefore, could have enhanced its ability to obtain the information system it originally intended to obtain.

**The Department should ensure that each final statement of work on which vendors bid includes all revisions that the Department provided to vendors.**

The Department released at least three versions of the statement of work to vendors during the procurement process for CAMPS. Specifically:

- Two versions of the statement of work were included in the contract: a version dated October 5, 2012, and a version dated October 19, 2012. Those two versions contained different procurement schedules.
- A third version was not included in the contract and was dated October 5, 2012. That version was an attachment to an email dated October 19, 2012, and the email stated that the Department had provided that version to vendors on October 10, 2012. The significant differences between the third version and first two versions were that the third version (1) contained a different procurement schedule and (2) provided more detailed information on the evaluation and scoring criteria than the other two versions.

**The Department should determine whether subcontracting opportunities exist for DBITS contracts.**

While the Department adopted the Office of the Comptroller of Public Accounts' rules for historically underutilized businesses, the Department could not provide documentation to show that it complied with state procurement requirements for assessing whether there were any subcontracting opportunities, including any subcontracting opportunities for historically underutilized businesses, as required by Texas Government Code, Section 2161.252, for contracts with an expected value of \$100,000 or more. In addition, the Department's RFP did not include provisions that required vendors to include historically underutilized business subcontracting plans in their proposals.

## **Recommendations**

The Department should:

- Document and maintain a complete record of all planning activities it performs to develop RFPs for DBITS contracts.

- Comply with the Office of the Comptroller of Public Accounts' requirements regarding DBITS procurements.
- Develop, document, and implement a process to:
  - Solicit DBITS contracts in accordance with state requirements.
  - Clearly define best value criteria, the scope of work, service level agreements, and other required provisions in statements of work for DBITS contracts.
  - Consistently carry forward statement of work revisions to subsequent versions of that statement of work.
  - Assess subcontracting opportunities for each DBITS contract solicitation in accordance with statutory requirements.

### **Management's Response**

*The Periscope contract was solicited under a different administration, which limits our ability to provide context to those decisions. However, the current Purchasing program is focused on assuring compliance with CPA and DIR requirements for IT procurements. TDA agrees that high value contracting processes should have templates and definitions for efficiency and compliance in the contracting process. These tools have been in development as part of the SB 20 directives. Many have been drafted, and the remainder are currently in progress.*

**Responsible management:** Administrator for Compliance

**Due:** May 31, 2016

## **The Department Should Fully Comply with State Procurement Requirements and Improve the Documentation of Its Procurement Process for Information Technology Purchases**

**The Department should ensure that it awards DBITS contracts to vendors authorized by the Department of Information Resources to provide DBITS services.**

The Department did not award the contract for CAMPS to a vendor that had a DBITS contract with the Department of Information Resources. Because it

### **Deliverables-Based Information Technology Services Contracts**

Deliverables-based information technology services (DBITS) contracts are for deliverables-based, outsourced systems integration or application development projects. The process for purchasing DBITS involves a state entity completing a statement of work and submitting to at least three eligible vendors.

Source: Department of Information Resources.

had solicited vendors that did not have DBITS contracts with the Department of Information Resources, the Department considered two proposals from vendors that did not have DBITS contracts with the Department of Information Resources. One of those two vendors was Periscope Holdings, Inc., which was the vendor to which the Department ultimately awarded the contract for CAMPS (see text box for additional information on DBITS purchases).

**The Department should cancel RFPs when it decides to make substantial changes during its procurement process.**

As previously discussed, for CAMPS the Department initially solicited selected vendors for DBITS using a RFP. However, during the solicitation process, the Department directed potential vendors to disregard its RFP and base their proposals only on the statement of work. However, the Department did not cancel the RFP process. As a result, the Department may have waived procurement requirements that are intended to protect the State's interests.

**The Department should ensure that all management and staff involved in a procurement process sign key nondisclosure and disclosure statements and maintain the signed statements in the procurement file.**

The Department could not provide a copy of all nondisclosure and disclosure statements that its management and staff had completed for the CAMPS procurement, as required by the *State of Texas Contract Management Guide* (see text box for more information). Specifically:

- While the Department provided copies of signed nondisclosure statements for 12 (86 percent) of the 14 members of the evaluation team and certain members of Department management, it could not provide documentation showing that the former deputy commissioner and the former deputy chief financial officer, who were involved in the procurement process, signed nondisclosure statements.
- Although the Department's purchasing staff completed annual conflict of interest statements as required by the Office of the Comptroller of Public Accounts, the Department could not provide documentation to show that the two Department purchasers involved in the procurement process signed disclosure statements prior to the contract award.

#### **Nondisclosure and Disclosure Statements**

The *State of Texas Contract Management Guide* outlines two statements that state entity management and staff involved in a contract procurement should complete:

- A nondisclosure statement - That statement is intended for an individual to certify that there are no conflicts of interest that may impair or influence his or her judgment. In addition, the individual agrees to maintain the confidentiality of the information relating to the procurement process. The statement should be completed by individuals who participate in the development and/or award of an RFP.
- A disclosure statement - Texas Government Code, Section 2262.004, requires purchasing personnel to disclose and identify any personal or financial relationships with any party associated with a contract award prior to the award of that contract.

Source: *State of Texas Contract Management Guide*.

The nondisclosure and disclosure statements are important documents that help to show that a state entity has taken the steps necessary to ensure that its award decisions are free of potential conflict of interests.

**The Department should document and maintain complete information related to its receipt and scoring of vendor proposals.**

While the Department documented its receipt of three vendor proposals for the CAMPS project, it did not maintain complete documentation, such as the dates on which it received each proposal. In addition, two of those three vendors did not submit required certifications prior to the proposal due date.

The Department also maintained its summary sheet of the evaluation scores for the CAMPS procurement, but it did not maintain a complete record of the

original proposal evaluation scoring sheets or a completed bid tabulation sheet for the eight members of the proposal evaluation team, as required by its policy.

Maintaining all records of when it receives and evaluates vendor proposals would enable the Department to show that vendors submitted proposals in accordance with procurement requirements and that its summary sheet of evaluation scores was accurate and complete.

## **Recommendations**

The Department should:

- Award DBITS contracts to vendors that have DBITS contracts with the Department of Information Resources for the applicable services.
- Cancel solicitations when the requirements of an RFP are no longer applicable.
- Develop, document, and implement policies and procedures to:
  - Require all staff who participate in the development of an RFP or a contract award to complete and sign nondisclosure statements.
  - Ensure that purchasers who are involved in the procurement process for a contract complete and sign disclosure statements prior to making a contract award.
- Maintain a record of the dates and times on which it receives vendor proposals and the names of staff who received the proposals and reviewed them for completeness.
- Maintain all original proposal evaluation scoring sheets that proposal evaluation teams complete, including bid tabulation scoring sheets.

## **Management's Response**

*When this administration took office, managers were tasked with finding efficiency and compliance improvements. In 2015, the Purchasing program began reviewing solicitation and contracting procedures. As a result, procedures and associated checklists to ensure purchasing steps are followed and documented during performance were developed, as well as a file maintenance protocol to ensure all relevant procurement documents are maintained. There will be continuous efforts to improve purchasing and*

*contracting processes as part of the new administration's management approach.*

*TDA has already moved the collection of disclosure and non-disclosure statements to occur earlier in the solicitation process. Additionally, this administration is developing a purchasing web page that will include posting the bid-tabs and other information to increase transparency and efficiency in the contracting process.*

**Responsible management:** Administrator for Compliance, Chief Information Officer

**Due:** Policy drafts complete and will be finalized by May 31, 2016.

*Content is complete, and the web page will be complete by May 31, 2016.*

Chapter 2-D

### **The Department Should Ensure That Its Contracts for Information Technology Clearly Define All Provisions That Protect the State's Interests**

The Department included all essential clauses and provisions, most recommended clauses and provisions, the scope of work, and requirements for communication between the Department and Periscope Holdings, Inc. in the contract for CAMPS. The Department's legal counsel and executive management also reviewed the final version of the contract before it was executed. However, the Department did not clearly define certain provisions that would have helped to ensure the appropriateness of its payments and the satisfactory performance and delivery of services by Periscope Holdings, Inc. In addition, while the Department complied with statutory requirements for reporting the CAMPS contract to the Legislative Budget Board, it did not consistently report accurate and complete information on that contract to the Legislative Budget Board.

**The Department should clearly describe the payment methodology for contract deliverables in its DBITS contracts.**

The Department did not clearly define its payment methodology for payments to Periscope Holdings, Inc. for deliverables completed through the contract for CAMPS. The Department's payments to Periscope Holdings, Inc. were based on the Department's acceptance of deliverables that Periscope Holdings, Inc. provided. However, the Department did not describe in the

statement of work or in the contract the details regarding those deliverables, including acceptance criteria and the associated payment amounts.

Instead of establishing specific requirements for the deliverables within the contract, the Department's contract manager, the Department's project manager, and a representative for Periscope Holdings, Inc. developed separate written agreements that specified the deliverables that would be created for the contract for CAMPS. As a result, the contract for CAMPS did not include requirements that would have helped to ensure that the Department paid only for satisfactorily completed deliverables at agreed-upon amounts (see Chapter 2-A for more information on weaknesses identified with the Department's payments to vendors).

**The Department should clearly describe performance requirements and its expectations in DBITS contracts.**

Although the Department included all essential clauses and most recommended clauses in its contract for CAMPS, it did not ensure that the following contract provisions were clearly defined as required by the *State of Texas Contract Management Guide* and statute:

- A clear description of the purpose of the project.
- Defined quantifiable performance goals.
- Clearly defined deliverables.
- A remedies and sanctions clause.<sup>2</sup>
- Information regarding the Department's primary contact person responsible for the contract.

As a result, the Department did not establish performance standards in the contract that would have helped to ensure that Periscope Holdings, Inc. delivered the information system that the Department had intended to obtain.

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<sup>2</sup> Texas Government Code, Section 2261.101, requires state entities, to which Chapter 2261 applies, to create and incorporate in each of their contracts for goods and services a remedies schedule, a graduated schedule, or both, for breach of contract or substandard performance under the contract.

**The Department should ensure that it consistently reports accurate and complete information on its contracts to the Legislative Budget Board.**

The Department reported the contract for CAMPS to the Legislative Budget Board, as required by Texas Government Code, Section 2054.008 (see text box for more information). However, the Department did not report accurate information on the contract execution date, and it did not report one of the three contract amendments to the Legislative Budget Board. Specifically:

- The Department incorrectly reported to the Legislative Budget Board that the contract award date was September 1, 2013. The correct contract award date was December 27, 2012.
- As of September 1, 2015, the Department had not reported to the Legislative Budget Board an amendment to the contract that it had executed on March 17, 2015. That amendment ratified an informal agreement between the Department and Periscope Holdings, Inc. that extended the contract after the termination date of February 1, 2014, and renewed the contract for an additional year.

**Reporting Contracts to the Legislative Budget Board**

Texas Government Code, Section 2054.008, requires each state agency to provide written notice to the Legislative Budget Board of a contract for a major information system. The notice must be on a form prescribed by the Legislative Budget Board and filed not later than the 10th day after the date the agency enters into the contract. A major information system is defined as:

- One or more computers that in the aggregate cost more than \$100,000.
- A service related to computers, including computer software, that costs more than \$100,000.
- A telecommunications apparatus or device costing more than \$100,000.

Providing inaccurate and incomplete contract information to the Legislative Budget Board could result in unreliable information on contracts being provided to decision makers who rely on that information.

**Recommendations**

The Department should:

- Clearly define in each contract the payment methodology, contract purpose, quantifiable performance goals, deliverables, remedies and sanctions, and the primary Department contact person responsible for the contract.
- Develop, document, and implement a process to report accurate and complete contract information to the Legislative Budget Board.

## Management's Response

*One of the early efficiency reviews by this administration resulted in strengthening the role of Legal Services in the contracting process. This has included updating the previous two-page contract form to ensure inclusion of the appropriate state required and recommended provisions. As part of its SB 20 compliance, TDA has further continued development of policies and associated solicitation and contracting templates for increased efficiency and compliance.*

*TDA currently reports purchasing contract information to the Legislative Budget Board (LBB). The unreported amendment identified in the finding was the result of inadvertent error and has been corrected. Grant award agreements have been included in the reporting procedures developed under SB 20.*

**Responsible management:** *Director for Contracts & Grants, Trade & Business Development; Director for CDBG, Trade & Business Development; Administrator for Food & Nutrition,*

**Due:** *Completed*

Chapter 2-E

## The Department Should Ensure That Its Contract Managers Obtain Required Training and Certifications

### Contract Manager Training and Certification Requirements

Texas Government Code, Section 2262.053, requires each state entity to ensure that its contract managers complete the training program for contract managers developed by the Office of the Comptroller of Public Accounts in coordination with the Department of Information Resources, the State Auditor's Office, and the Health and Human Services Commission. Effective November 1, 2013, contract managers who complete the training receive a certification from the Office of the Comptroller of Public Accounts.

The Department did not ensure that each of the contract managers assigned to the two contracts audited had obtained required training and certifications. Specifically, the Department could not provide documentation to show that its contract managers had received training and certifications required by Texas Government Code, Section 2262.053 (see text box for more information regarding that requirement).

The Department reported to auditors that the contract managers had not reported any contract management-related training they had taken or certifications they had obtained. Not ensuring that contract management staff obtain required training and certifications increases the risk that the Department may not plan, procure, develop, and monitor contracts in accordance with state requirements.

## **Recommendation**

The Department should develop, document, and implement policies and procedures to ensure that staff with contract management responsibilities obtain required contract management training and certifications and comply with reporting requirements for the training they take and the certifications they obtain.

## **Management's Response**

*As part of its continual improvement focus, this administration recognized the need for certifying contract management positions in 2015. Staff positions clearly requiring certification, such as the Purchaser positions, began the training process at that time. Some program areas have already trained primary contract management staff and are in the process of certification testing. Training has been delayed by limitations on the number of classes offered locally by the CPA. All required positions will be trained as soon as classes and registration funds are available.*

**Responsible management:** Director for Human Resources

**Due:** Identification of positions and update of job descriptions by May 31, 2016.

*Completion of training subject to CPA class schedules, statewide demand for limited seating, and availability of funds.*

## ***The Department Should Strengthen Security and Processing Controls Over Certain Information Technology Systems***

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Auditors performed limited reviews of three information technology systems the Department uses to manage licensing revenue and expenditure data:

- BRIDGE (the Department’s licensing and enforcement system).
- CAMPS (the Department’s procurement system).
- USAS (the Department’s financial accounting system).

Auditors reviewed controls over user access, password security, change management, and data processing for BRIDGE and CAMPS and user access controls for USAS. Auditors determined that BRIDGE contained adequately designed controls to ensure the reliability of licensing revenue data. However, the Department should establish processes for CAMPS that ensure the accuracy and completeness of data entered into that system. Auditors also identified certain weaknesses in user access and security controls and change management processes for both BRIDGE and CAMPS and identified weaknesses in user access controls for USAS. To minimize security risks, auditors communicated details about the user access and security control weaknesses directly to the Department’s management.

**The Department should establish a process to ensure the accuracy and completeness of data in CAMPS.**

CAMPS did not have automated validation controls over transaction coding and data fields to ensure the reliability of procurement data that is entered into that system. As a result, there is an increased risk that the Department could process incorrect purchasing and payment information.

**The Department should improve documentation of programming changes it makes to BRIDGE and CAMPS.**

Auditors reviewed a sample of 13 help desk tickets for CAMPS and 20 help desk tickets for BRIDGE and determined that the Department did not document programming changes in a consistent manner to provide reasonable assurance that it implemented those changes properly. Specifically, when the Department made changes to CAMPS and BRIDGE, it did not (1) clearly document the problems the changes were supposed to address, (2) document a description of user testing of the changes and the results of that testing, and (3) document management’s authorization to make the changes in compliance with its change management requirements. As a result, there is an increased risk that programming changes the

Department makes to BRIDGE and CAMPS will not enhance or correct system problems as intended.

### **Recommendations**

The Department should:

- Address the weaknesses in user access and security controls that auditors identified in BRIDGE, CAMPS, and USAS.
- Establish and implement a process to ensure that it enters accurate transaction coding and data into CAMPS.
- Document programming changes with clear descriptions; information on user testing, including testing results; and management's authorization for those changes.

### **Management's Response**

*The agency business requirements for CAMPS (the purchasing and payment system) were developed before this administration transitioned into office. CAMPS could be more effective in delivering state specific services in its application, but changes to CAMPS programming can be costly. The system is currently unable to verify code information entered against USAS accounting code tables to ensure accuracy, so budget staff is now providing a greater level of manual quality control over the coding. Miscoding incidents have been reduced, and it is anticipated that errors will continue to decrease.*

*IT has already created and implemented the "Information Security Owner Acknowledgment and Agreement Form." Request, approval, and programming change procedures have also been improved overall. The security issues identified in the finding have been addressed by firewalls and a reconfiguration of password rules.*

**Responsible staff:** Administrator for Budget & Accounting, Chief Information Officer

**Due:** Completed

# Appendices

Appendix 1

## **Objectives, Scope, and Methodology**

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### **Objectives**

The objectives of this audit were to determine whether the Department of Agriculture (Department) has:

- Processes and controls that help ensure the accuracy and completeness of financial reporting.
- Administered selected contract management functions in accordance with applicable requirements.
- Processes and controls that help ensure that information systems supporting financial reporting and contracting are secure and contain accurate and complete data.

### **Scope**

The scope of this audit covered selected Department financial activities related to revenue and expenditure processes during fiscal year 2014, including the information systems that support the functions audited. Specifically, the scope included:

- Selected financial reporting and accounting processes for certain account balances that the Department reported for fiscal year 2014.
- Contract management activities (including planning, procurement, contract formation, and contract oversight) related to the following two contracts from their inception through July 2015:
  - ♦ The information technology contract effective December 2012 between the Department and Periscope Holdings, Inc. for the Contract Award Management and Procurement System (CAMPS).
  - ♦ The state contract with U.S. Bank for fuel card services, which the Department began using in September 2013.

### **Methodology**

The audit methodology included verifying the accuracy and completeness of selected financial statements in the Department's fiscal year 2014 *Annual Financial Report*, selected schedules in the Department's fiscal year 2014

*Report of Non-Financial Data*, and revenue amounts in the Department's fiscal year 2014 *Non-Tax Collected Revenue Survey*; testing expenditure and revenue transactions processed in the Uniform Statewide Accounting System (USAS); collecting and reviewing planning, procurement, and information systems documentation; reviewing and testing the Department's contract payments; reviewing the Department's contract monitoring processes and documentation; reviewing contract requirements and related deliverables; performing selected tests and other procedures for the contracts audited; conducting interviews with Department management and staff; reviewing statutes, rules, Office of the Comptroller of Public Accounts' procurement requirements, and Department policies and procedures; identifying and collecting information from various reports; and performing selected tests and other procedures.

### **Data Reliability**

Auditors assessed the reliability of data processed by CAMPS, which is the Department's procurement system. Auditors determined that data was not sufficiently reliable for the purposes of this audit because CAMPS did not have validation controls over transaction coding and data fields and there were known inaccuracies in transaction coding and data fields.

Auditors assessed the reliability of data processed by BRIDGE, which is the Department's licensing and enforcement system. Auditors determined that licensing revenue data in BRIDGE was sufficiently reliable for the purposes of this audit.

Auditors relied on previous State Auditor's Office audit work on USAS application and general controls and determined that USAS data was sufficiently reliable for the purposes of this audit.

### **Sampling Methodology**

For the samples discussed below, auditors applied a nonstatistical sampling methodology. The sample items were not necessarily representative of the population; therefore, it would not be appropriate to project the test results to the population. Auditors selected the following samples:

- To test the accuracy and completeness of year-end adjusting entries, auditors used non-statistical random sampling to select 15 year-end adjusting entries and professional judgment to select one adjusting entry that the Department processed during the audit scope.
- To test the accuracy and completeness of non-federal, non-payroll expenditure transactions processed in USAS, auditors used non-statistical

random sampling to select 30 non-federal, non-payroll expenditure transactions that the Department processed during the audit scope.

- To test the accuracy and completeness of licensing-related revenue transactions in USAS, auditors used non-statistical random sampling to select revenue transactions that the Department processed during the audit scope. Auditors selected 30 revenue transactions for payments that licensees paid directly to the Department. Auditors also selected 35 revenue transactions that were licensing-related payments that the Department received through the Office of the Comptroller of Public Accounts.
- To test processing controls for implementing programming changes in CAMPS, auditors used professional judgment to select 20 help desk tickets for CAMPS that the Department processed during the audit scope.
- To test processing controls for implementing programming changes in BRIDGE, auditors used professional judgment to select 20 help desk tickets for BRIDGE that the Department processed during the audit scope.

Information collected and reviewed included the following:

- Department policies, procedures, and manuals.
- The Department's fiscal year 2014 *Annual Financial Report*, including USAS reports and year-end adjusting journal entries, and correspondence with the Office of the Comptroller of Public Accounts.
- The Department's fiscal year 2014 *Report of Non-Financial Data* and other supporting documentation.
- The Department's fiscal year 2014 *Non-Tax Collected Revenue Survey* and other supporting documentation.
- Department solicitation and bid documentation, evaluation criteria, and other supporting documentation related to procurement activities.
- Department contract payment records and other supporting documentation.
- Department expenditure and revenue data in USAS.
- Procurement transactions from CAMPS.
- Licensing fee transactions from BRIDGE.

- Department contracts and purchase orders, including contract change order and amendment documentation.
- Department information technology procedures and user manuals for applicable information systems.
- Department internal audit reports.

Procedures and tests conducted included the following:

- Interviewed Department management and staff.
- Tested the Department's process for recording non-federal, non-payroll expenditures and licensing-related revenues.
- Reviewed documentation the Department used to prepare its fiscal year 2014 *Annual Financial Report, Report of Non-Financial Data, and Non-Tax Collected Revenue Survey*.
- Tested the Department's process for clearing its suspense account.
- Reviewed Department contract planning documentation.
- Reviewed Department procurement records for its contract with Periscope Holdings, Inc., including contract solicitation documentation, conflict of interest statements, nondisclosure forms, vendor proposal submission checklists, bid documentation, and bid evaluation and scoring sheets.
- Reviewed the Department's contract with Periscope Holdings, Inc.
- Tested whether the Department performed and documented a purchase request and needs assessment for its contracts with Periscope Holdings, Inc. and U.S. Bank.
- Tested whether the Department's purchasers, contract managers, and other selected staff complied with training and certification requirements.
- Tested whether the Department properly documented contracts and included requirements in contracts that helped to ensure vendor accountability and support for change orders and contract amendments, and whether change orders and contract amendments changed the scope of work.
- Tested whether the Department properly documented bid evaluation criteria and evaluation scores.

- Reviewed contracts, purchase orders, and payments for appropriate support and approval.
- Reviewed the Department’s contracting monitoring activities.
- Reviewed selected information technology access and security controls.

Criteria used included the following:

- Texas Government Code, Chapters 322, 572, 2054, 2151, 2155, 2156, 2157, 2158, 2161, 2251, 2252, 2254, 2261, 2262, and 2263.
- Title 1, Texas Administrative Code, Chapters 202 and 212.
- Title 34, Texas Administrative Code, Chapter 20.
- General Appropriations Act (83rd Legislature).
- The Office of the Comptroller of Public Accounts’ reporting requirements.
- The Office of the Governor’s *Instructions for Completing the Annual Report of Nonfinancial Data*.
- *State of Texas Contract Management Guide*, Version 1.9.
- *State of Texas Procurement Manual*.
- The Department’s *State of Texas Retention Schedule*.
- Department of Information Resources policies and procedures.
- Department policies and procedures.

## **Project Information**

Audit fieldwork was conducted from May 2015 through December 2015. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor’s staff performed the audit:

- Willie J. Hicks, MBA, CGAP (Project Manager)
- Sonya Tao, CFE (Assistant Project Manager)

- Shaun Alvis, J.D.
- Becky Beachy, CIA, CGAP
- Michael Gieringer, CFE
- Nicole McClusky
- Kelli Starbird
- Krista L. Steele, CPA, CFE, CIA, CGAP
- Emily Hobbs
- Michael Yokie, CISA
- Brianna C. Lehman, CPA (Quality Control Manager)
- Audrey O’Neill, CIA, CFE, CGAP (Audit Manager)

## Summary of Management's Response

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The Department of Agriculture provided the following summary of its management's response.



TEXAS DEPARTMENT OF AGRICULTURE  
COMMISSIONER SID MILLER

I agree with the report recommendations, and appreciate the SAO making time in its schedule to answer our request for audit. When I took office in January 2015, I wanted to establish a baseline of the department's condition. Two areas selected by the SAO for evaluation, systems and contract management, were also areas under priority review by the department. The department initiated several changes in 2015 to address procurement weaknesses. The SAO recommendations will further strengthen contracting, IT and reporting processes.

A handwritten signature in blue ink, appearing to read "Sid Miller".

Sid Miller, Commissioner

3-10-16

Date

Copies of this report have been distributed to the following:

### **Legislative Audit Committee**

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Jane Nelson, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable John Otto, House Appropriations Committee

The Honorable Dennis Bonnen, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Department of Agriculture**

The Honorable Sid Miller, Commissioner



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